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UNCLAS SECTION 01 OF 02 MAPUTO 001609

SIPDIS

STATE FOR AF/S HTREGER AND EB/TRA

PRETORIA FOR JRIPLY

JOHANNESBURG FCS FOR RDONOVAN, JVANRENSBURG

USDOC FOR RTELCHIN

MCC FOR SGAULL, TBRIGGS

PASS USAID FOR AA/AFR AND AFR/SA

SENSITIVE

E.O. 12958: N/A

TAGS: [ECON](#) [EAID](#) [EINV](#) [ETRD](#) [MZ](#)

SUBJECT: NOVEMBER ECONOMIC WRAP-UP: MOZAMBIQUE

REF: A. MAPUTO 894

[1](#)B. MAPUTO 712

[1](#)C. MAPUTO 340

[1](#)D. MAPUTO 1519

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[1](#)1. (U) The Mozambique monthly economic cable is jointly produced by the Embassy and USAID.

FOREIGN INVESTMENT

[1](#)2. (U) On November 12, the Brazilian mining giant Companhia Vale do Rio Doce (CVRD) was awarded the Moatize mines exploration concession (Ref A). CVRD is investing USD 122 million for the initial phase of development, a feasibility study, scheduled for 18 months. The firm seeks to market 15-16 million tons of coal per year. Recent studies suggest that the mines possess 2.4 billion tons of coal reserves. CVRD also plans to build a 1500 megawatt coal-fired power station in Tete province close to the mines. According to the country's official news agency, AIM, the bulk of the coal will be exported primarily to Brazil. As part of its bid, CVRD agreed to give the GRM five percent of the shares in the Moatize mining company and make an additional ten percent available to private investors. It is unclear how CVRD will choose to move the coal to the coast for export (the mines are located 250 miles inland). Just this year, Rites and Ircon (India) was awarded the concession to reconstruct and manage the Sena railway line for a period of 25 years (Ref B). The line originates at Moatize and ends at the port of Beira. Use of the Sena line is a possible option. However, Beira port is relatively shallow and presently cannot accommodate Cape-size vessels. Mozambique's only deep-water port, Nacala, roughly 1,000 miles up the coast from Beira, could be used instead as the export port for Moatize coal; this would entail constructing about 100 miles of new rail line mostly in Malawi, to connect with the existing Malawi-Nacala line. Separately, an American firm, American Commercial Lines International (ACLI), is interested in developing a barge service to carry coal down the Zambeze River to an off-shore transfer point near the coastal town of Chinde. CVRD is expected to start production in 2009.

[1](#)3. (U) The GRM and Sasol, the giant South African oil and gas company, will enter into an agreement soon allowing further exploration of offshore natural gas fields in the central part of Mozambique. Earlier SASOL found large reserves of natural gas in the Pande and Temane fields in Inhambane province and began exporting natural gas to South Africa by pipeline in 2004 (Ref C). The entire undertaking was estimated at USD 1.2 billion and is considered one of Mozambique's top two mega-projects (second only to the MOZAL aluminum investment). Sasol will explore the offshore sites in partnership with Mozambique's National Hydrocarbon Company.

MACROECONOMICS

[1](#)4. (U) The government of France further reduced Mozambique's debt by 21.5 million euros. This is the second debt reduction agreement signed between France and Mozambique. France is working to annul the total bilateral debt (in the amount of 444 million euros) owed to it in accordance with the Heavily Indebted

Poor Countries (HIPC) Initiative. Ministry of Planning and Finance officials state that this cancellation of debt will allow the GRM to make progress implementing poverty reduction programs in Mozambique, the state's number one priority.

AGRICULTURE

15. (U) Farmers produced and sold nearly 80,000 tons of raw cotton to local production factories in the 2003-2004 agricultural campaign. According to the Mozambican Cotton Institute, another 7,000 tons will be sold to local firms before the end of the year, making it possible for Mozambique to export 87,000 tons of cotton in 2004. This is a huge spike from 2003, when only 54,000 tons were sold on the global market.

BUSINESS

16. (U) The GRM formally handed over the Buzi Sugar Corporation to its new owner, Marracuene Sugar (also known as Maragra), which now owns 100 percent of the old Buzi estate. Maragra intends to rehabilitate the Buzi factory with new equipment and start producing alcohol. The rehabilitation and reopening of Buzi is expected to create a significant number of local jobs, stimulating the surrounding economy. A Maragra spokesman states that the company will seek to hire ex-Buzi employees and build a housing community on the estate. Mozambique's National Sugar Institute expects the market for sugar to remain soft until the EU opens its market to developing countries in 2009.

17. (SBU) Several major businesses are reportedly closing their accounts with Banco Internacional de Mocambique (BIM) and reopening with Standard Bank due to illegal actions involving Ministry of Finance officials and BIM employees. In July, Coca-Cola paid 5-6 billion meticaïs (roughly USD 250,000) in VAT to the Ministry of Planning and Finance. After receiving a signed and stamped receipt from the Ministry, Coca-Cola received a phone call requesting the same July VAT payment. A Coke contact says that when the firm declared that it had paid and received the receipt, the Ministry said it had no record of the payment. Upon visiting the Ministry of Finance to identify the employee who processed the receipt, Coca-Cola could not find that person and the Ministry declared the receipt fake. Several days later the USD 250,000 was withdrawn from Coke's account, culprit unknown. Coke repaid the USD 250,000 to the Ministry of Finance. However Coke, plus many other big firms including Sasol, Mozambique Electricity, and others, are pulling their accounts from BIM due to the recurring problems that exist with the bank's shady operations. The discovery of corruption by Ministry of Finance officials is not new news, as the press is vocal about claims that Finance is one of the most corrupt ministries (particularly the Customs Department) in Mozambique.

18. (U) Econ/poloffs and the President of the U.S.-based Corporate Council on Africa (CCA) visited Belita, the only garment factory in Mozambique exporting to the U.S. under AGOA. Belita exports sweatshirts, t-shirts, and polo shirts to Vanity Fair, Chaps, FUBU, and Lee. Sales from January to October 2004 totaled approximately USD 1.4 million, and are expected to reach USD 2.2 million by the end of the year. Belita buys almost all of its primary material (fabric, labels, zippers) outside of Mozambique. Belita's parent company, the Palmar Group, located in Mauritius, handles all marketing, communication, and logistics for the sale of Mozambican-produced garments. In January 2005, Belita expects to open a jeans-production plant in Maputo. Belita will source all denim from Southern Africa. Over 1,000 staff will be employed, and Belita's AGOA sales to the U.S. are expected to increase (Ref D).

LA LIME